

## Costs of California Greenhouse Gas Requirements

For the 2016 standards for passenger cars, CARB estimates that these requirements will cost \$1,064.

CARB made numerous errors in their cost estimates – The Alliance believes that the true cost for meeting these standards in 2016 is over \$3,000.

These significantly higher costs will result in no net savings for consumers as claimed in the CARB regulations.

Some of the reasons for the CARB errors are listed below:

- The prices of passenger cars in the 2009 baseline (no regulation) case is inflated by unrealistic assumptions about expensive technology changes that will be made in the absence of a regulation.
- CARB vehicle cost estimates are based on unrealistic 40% markup factor to vendor-supplied parts prices, which is less than half of the markup required to account for manufacturer costs for research, development, engineering, warranty, overhead, sales and marketing, profit and dealer margin.
- CARB failed to account for the integration costs of certain vendor-supplied components that cannot merely be added without other design changes.
- Cost estimates for technology changes provided by a contractor were arbitrarily discounted by 30% to account for “unforeseen innovations in design and manufacturing.”
- Credit was claimed for significant reductions in aerodynamic drag and rolling resistance despite evidence that consumers will not accept such changes and despite the fact that consumers do not routinely use OEM replacement tires.
- CARB assumed that technologies that simultaneously **reduce** vehicle price and **improve** fuel economy will be used only if a regulation is adopted.
- CARB failed to account for California’s average 8% sales tax in doing its calculations of net lifetime costs of technology changes.
- The fuel economy benefits of automatic transmission improvements were inadvertently assigned to both manual transmissions and automatic transmissions.
- Fuel cost savings are estimated using a single set of driving cycles and without considering the impact of the relevant technologies based on driving cycles that more accurately represent the way that Californians drive.
- Fuel cost savings were based on inflated estimates of vehicle service life resulting from an obvious mathematical error in CARB’s analysis of odometer data from the State’s vehicle inspection and maintenance program.
- The fuel savings calculated for light-duty trucks is substantially overstated by CARB’s failure to account for the fuel economy improvements required under the 2007 Federal standards and by CARB’s failure to account for the effect of minivans on baseline fuel economy.
- Estimated fuel cost savings ignore the “rebound effect,” which is the well-documented increase in travel associated with reductions in vehicle fuel costs.